

Turnover Costs: Hidden, But Sky-High

By Bud Haney, President
Profiles International, Inc.

It's possible to cut the average cost of turnover, if employers are willing to put more effort into hiring and retention of workers. To cut turnover costs, employers must hire the right people to begin with, put them in the right jobs, and offer them the right incentives to stay.

If all of that sounds expensive and time-consuming, consider the hidden costs of turnover at Plant XYZ, which makes widgets. It employs 500 people and has a turnover rate of 15 percent per year. That's 75 people per year leaving for greener pastures.

Estimates vary as to how much a company loses for each person who leaves. Some say the loss is one and a half times the salary. Some say two times the salary, some say two and a half. Even higher estimates enter in when the departing worker is a six-figure executive.

For our purposes, let's assume each of those 75 people earned \$30,000 a year, and each one cost Plant XYZ two times his salary. Our estimated loss is \$4.5 million.

Now let's think about other costs. Consider the time it takes to conduct interviews to fill the vacant positions; overtime paid to those who are now piling the departed workers' loads on top of theirs; the drain of knowledge and training that ex-workers took with them; and the dip in morale and related dip in productivity caused by the patter of departing feet.

Let's say you've spent the time and money it takes to hire 75 new replacement employees. What a relief! Still, how long will it take them to get up to speed in their jobs? And meanwhile, did you know that, according to some estimates, only 55 percent of your workforce is productive on a day-to-day basis? That leaves 30 percent -- or 150 people -- who may be productive one day and not so productive the next. Now, with your new employees, you have 225 people out of your 500 who are doing so-so or maybe not even that good.

No telling how much you've lost from your bottom line. The numbers really can't be calculated. But let's just say you could have saved a bundle and perhaps cut turnover to a minimum if you'd focused on putting the right people in the right job to begin with. Putting an emphasis on retention isn't a bad idea, either. By this I mean helping employees, especially new employees and their families, to adjust to new jobs. Progressive companies do this through training, making sure new employees have a trusted mentor or buddy who teaches them the ropes, and offering after-hours activities that introduce new employees to the community. Classes that increase skills round out the package.

Are you ready to do something about the turnover in your company? If you've reached the point of looking at your exemplary employees as a bargain, call us to find out how we can help you find more who meet their standards. Call corporate marketing toll-free at 800-880-2909.

Bud Haney is president of Profiles International, Inc., the world's fastest growing developer and publisher of tools to help companies reduce training costs and turnover by hiring the right person for each job.